



## What a China Hard Landing Means for Vietnam

### *The consequences could be dire for the Southeast Asian state.*

By **Luke Hunt** for *The Diplomat*

The Vietnamese have proven adept at reading the economic omens over the past year-and-a-half, particularly the weak fiscal data emanating out of China where figures are difficult to judge due to a lack of transparency.

Much of the quality information is coming through the official press. It can be a drab read but well worth the effort. In the latest government-backed commentary, a senior economist [is warning](#) China will face a hard landing.

The president of the Vietnam Institute of Economics, Tran Dinh Thien, also warned that Vietnam needs to instigate a second restructuring of its economy noting the country's perilous bad debt crisis has not improved in recent years and had perhaps weakened further.

He said the process of restructuring lacked "motivation, confidence and optimism" as it was during Doi Moi – economic reforms initiated in 1986 designed for the creation of a socialist-orientated market economy. As a result, the Vietnamese economy was making "very slow progress, with limited achievements, far from the objectives and expectations".

"The past five years is the most difficult period ever since Doi Moi kicked off 30 years ago," he said. "We have to perform a second renovation, or else how could we endure the powerful impact from the upcoming 'hard-landing' of China?"

"This colossal economy will certainly cause major structural shocks for the world. Meanwhile, Vietnam, as the country located near China and quite heavily dependent on this economy, is experiencing a very tough time."

Importantly, he said the biggest problem facing Vietnam was how to minimize the "shocking" impact stemming from China and this meant how "to quickly get rid of her structural dependence on this economy."

Hanoi is attempting to find solutions for its financial problems after warning last year that countries like Vietnam, Cambodia, Laos, and Myanmar would find life difficult to cope with amid an economic downturn in China.

[Trade missions](#) and [better relations](#) with the United States have dominated Vietnam's agenda while authorities in Phnom Penh – a major Chinese ally – were stunned to learn approved Vietnamese investment in Cambodia over the first six months of this year had dropped to almost zero.

Vietnam has also warned Laos it is reviewing the implementation of previous cooperation agreements in energy, mineral resources and industry, in order to make "timely adjustments" to those trade deals.

Last year Hanoi signed off on and entered a series of next generation trade agreements, with the United States, Japan, Canada, Australia, the EU, Russia, and South Korea which has partially helped in finding alternatives to its reliance on a troubled China.

The Chinese economy has endured hard times since its stock markets suffered a major correction amid a collapse in commodity prices in mid-2015.

Prices have continued to fall as authorities in Beijing put on a brave face, with analysts talking up soft landing for the world's second largest economy. However, China is buckling under known debts of about \$28 trillion with about 400 million people living in poverty.

Thien said decades of economic restructuring efforts by the communist state had produced only modest results and growth patterns had not really changed. This, he said, raised questions about the methods deployed by Vietnam, a one-party state, designed to resolve its fiscal problems.

"We must aggressively carry out restructuring, which should be geared towards modern integration, ensuring compliance with integration commitments," he said. "Businesses are generally weak, especially domestic firms, both State-owned and private, with poor strength and competitiveness".

Thien's comments also indicate the sharp corrections in the Chinese stock markets are finally starting to bite. It is not unusual for major falls on share markets to take up to two years before their full impact is felt in the general economy.

